

Message Text

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PAGE 01 PARIS 29222 051856Z

44

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-05 SSO-00 NSCE-00 USIE-00

INRE-00 L-02 FRB-01 OMB-01 TAR-01 SP-02 SWF-01 AID-05

CIAE-00 COME-00 INR-05 IO-10 LAB-04 NSAE-00 OIC-02

RSC-01 SIL-01 STR-01 TRSE-00 CIEP-01 CEA-01 ARA-06

SS-15 NSC-05 /090 W

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O 051844Z DEC 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 4877

INFO AMEMBASSY LONDON IMMEDIATE

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DEPARTMENT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: SUGAR: PARIS BOURSE DEVELOPMENTS

REF: STATE 265901

1. SUCCESSION OF LIMIT-DOWN DAYS ON PARIS WHITE SUGAR MARKET WITH NO PURCHASERS LED TO NUMEROUS MARGIN CALLS AND TO FINANCIAL DIFFICULTIES FOR AT LEAST ONE BROKER-AGE HOUSE DUE TO DEFAULTS BY SPECULATORS LONG ON SUGAR. THE BROKERAGE FIRM OF MAURICE NATAF HAS BEEN EJECTED FROM THE EXCHANGE. BROKERS SOCIETY APPEALED TO MINISTER OF COMMERCE TO SUSPEND TRADING. THE MINISTER SIGNED

A DECREE WHICH SUSPENDED TRADING AS OF TUESDAY DEC. 4 WITH REFERENCE TO ARTICLE 22 OF THE MARKET REGULATIONS. ARTICLE 22 PROVIDES FOR SUSPENSION IN CASE OF WAR, MOBILIZATION OR FORCE MAJEURE. THE DECISION WAS
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PAGE 02 PARIS 29222 051856Z

TAKEN WITH REFERENCE TO FORCE MAJEURE. IT FOLLOWS FROM

THIS DECISION UNDER THE APPLICABLE LAWS AND REGULATIONS THAT CONTRACTS MUST BE LIQUIDATED AT A PRICE EQUAL TO THE AVERAGE PRICE DURING THE PREVIOUS 20 TRADING SESSIONS, OR ABOUT 1200 FF/TON ABOVE THE CLOSING PRICE ON MONDAY DECEMBER 2.

2. EMBASSY WAS VISITED BY ERNEST GROSS OF CURTIS, MALLETT, PREVEST COLT & MOSLE, REPRESENTING ACLI INTERNATIONAL OF NEW YORK, A MAJOR SUGAR DEALER. MR. GROSS IS A FORMER AMERICAN AMBASSADOR TO THE UN. HE WAS ACCOMPANIED BY HENRY MERRINGER, MANAGING DIRECTOR OF THE LONDON OFFICE OF ACLI INTERNATIONAL. ACCORDING TO THEM THE PROFESSIONAL TRADERS (MOSTLY BRITISH AND AMERICAN) HAVE A SHORT POSITION ON 150,000 TONS OF SUGAR. "SPECULATORS" ON THE OTHER HAND ARE PRIVATE

PERSONS OR FIRMS (MAINLY FRENCH) WITH INSUFFICIENT CAPITAL TRADING USUALLY ON A TEN PERCENT MARGIN. THESE HAVE BEEN CAUGHT VERY BADLY BY THE SUDDEN DROP IN SUGAR PRICES. ACCORDING TO MR. MERRINGER THE PROFESSIONALS PLACE A HIGH VALUE ON THE PARIS MARKET AS THE ONLY MARKET FOR WHITE SUGAR. HE MAINTAINS THAT IF CONTRACTS HAVE TO BE SETTLED UNDER ARTICLE 22 OF THE PARIS MARKET REGULATIONS, NOT ONLY WILL THE PROFESSIONAL TRADERS LOSE MONEY BUT CONFIDENCE IN THE PARIS SUGAR MARKET WILL BE SO SHAKEN THAT HE IS CONVINCED THAT IT CANNOT CONTINUE TO OPERATE. LOSS OF CONFIDENCE COULD THEN AFFECT TRADING IN PARIS COFFEE AND COCOA MARKETS. THE PROFESSIONALS HAVE INDICATED TO THE AUTHORITIES THEIR WILLINGNESS TO PERFORM THE FUNCTION OF THE MARKET CLEARING HOUSE (CAISSE DE LIQUIDATION) BY PURCHASING ALL OF THE OUTSTANDING CONTRACTS AT MARKET FROM THOSE WHO WISH TO SELL. MEETINGS HAVE CONTINUED ALL DAY WITH MINISTER OF COMMERCE ANSQUER WITH A VIEW TO REOPENING THE MARKET. THE LATEST REPORT IS THAT NO AGREEMENT HAS BEEN REACHED ON THE PRICE AT WHICH LONG

POSITIONS MIGHT BE LIQUIDATED. THE CAISSE DE LIQUIDATION IS UNDERCAPITALIZED AND APPEARS IN NO POSITION TO ADVANCE SUFFICIENT FUNDS.
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PAGE 03 PARIS 29222 051856Z

3. MR. GROSS ASKED THE EMBASSY TO MAKE REPRESENTATIONS TO THE FRENCH GOVERNMENT ON BEHALF OF AMERICAN INTERESTS TO OBTAIN A SATISFACTORY RESOLUTION OF THE PROBLEM. EMBASSY IS VERY RELUCTANT TO DO SO AT THIS STAGE. MEANWHILE MR. GROSS INFORMED US THAT IT SEEMS TO HIM THE MATTER IS ABOUT TO BE RESOLVED AND THAT THERE IS NO NEED FOR THE EMBASSY TO INTERVENE. THE

EMBASSY WILL NOT TAKE UP THIS MATTER WITH FRENCH
OFFICIALS UNLESS WE RECEIVE SPECIFIC INSTRUCTIONS FROM
THE DEPARTMENT.
RUSH

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